

Muniauction, Inc. v. Thomson Corp.

No. 07-1485, Fed. Cir. (Gajarsa,* Plager, Prost)

[W]here the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises "control or direction" over the entire process such that every step is attributable to the controlling party, i.e., the "mastermind."

On July 14, 2008, the Federal Circuit reversed the district court's judgment entering the jury verdict that U.S. Patent No. 6,161,099, which related to web-based original issuer municipal bond auctions, was not obvious, and that Thomson willfully infringed the '099 patent. The Federal Circuit also vacated the district court's award of enhanced lost profits damages of \$76.9 million plus \$7.7 million in pre-judgment interest, and the grant of a permanent injunction against Thomson. The Federal Circuit stated:

Section 103 of Title 35 "forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" A central principle in this inquiry is that "a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions." On the record before us, we answer this question in the negative and conclude that claims 1 and 31 of the '099 patent are obvious as a matter of law.

When the '099 patent's application was filed on May 29, 1998, the use of web browsers was well known. Indeed, the written description of the '099 patent itself identifies the invention as using "a conventional Internet browser," and "conventional web browsing software." [T]he use of the internet and web browser technology to conduct electronic auctions was well-established at the time the '099 patent application was filed. [A] speech given in May of 1996 at a meeting of the Government Finance Officer's Association ("GFOA") explicitly addressed the desirability of using World Wide Web technology to distribute debt issue to consumers. At a minimum, this speech suggests "the effects of demands known to the design community or present in the marketplace," thereby indicating the obviousness of the claimed combination. [A]dapted existing electronic processes to incorporate modern internet and web browser technology was similarly commonplace at the time the '099 patent application was filed. . . .

Muniauction argues, notwithstanding this trend, that the incorporation of web browser functionality into existing electronic prior art systems was nevertheless beyond the ability of a person of ordinary skill in the art at the time the '099 patent application was filed. In particular, Muniauction claims that a person of

ordinary skill would not have known how to use a web browser to implement certain steps of methods claimed in the '099 patent. Thomson responds by noting that the [prior art] '219 patent teaches the use of a web browser both to communicate information associated with a bid over an electronic network and to display information associated with a bid. In light of this teaching, we are not persuaded by Muniauction's argument that a person of ordinary skill would not have known how to implement the communicating and displaying steps of the '099 patent with a web browser during the relevant time period. . . .

Turning to infringement of the remaining dependent claims, the only theory of infringement presented by Muniauction is that of so-called joint infringement. [A] method claim is directly infringed only if each step of the claimed method is performed. With respect to the '099 patent, the parties do not dispute that no single party performs every step of the asserted claims. For example, at least the inputting step of claim 1 is completed by the bidder, whereas at least a majority of the remaining steps are performed by the auctioneer's system (e.g., Thomson's BidComp/Parity® system). The issue is thus whether the actions of at least the bidder and the auctioneer may be combined under the law so as to give rise to a finding of direct infringement by the auctioneer.

[T]he proper standard for whether a method claim is directly infringed by the combined actions of multiple parties. [D]irect infringement requires a single party to perform every step of a claimed method. [There is] a tension between this proposition and the well-settled rule that "a defendant cannot thus avoid liability for direct infringement by having someone else carry out one or more of the claimed steps on its behalf." Accordingly, where the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises "control or direction" over the entire process such that every step is attributable to the controlling party, i.e., the "mastermind." At the other end of this multi-party spectrum, mere "arms-length cooperation" will not give rise to direct infringement by any party. [T]he issue of infringement in this case turns on whether Thomson sufficiently controls or directs other parties (e.g., the bidder) such that Thomson itself can be said to have performed every step of the asserted claims. [T]he control or direction standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of a claimed method. In this case, Thomson neither performed every step of the claimed methods nor had another party perform steps on its behalf, and Muniauction has identified no legal theory under which Thomson might be vicariously liable for the actions of the bidders. Therefore, Thomson does not infringe the asserted claims as a matter of law.

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